

Message Text

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13

ACTION EA-14

INFO OCT-01 ISO-00 PM-07 NSC-07 SP-03 SS-20 RSC-01 CIAE-00

INR-10 NSAE-00 AID-20 IGA-02 L-03 SSO-00 NSCE-00

INRE-00 DRC-01 /089 W

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O R 290715Z MAY 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 2526

INFO SECDEF WASHDC

CINCPAC

C O N F I D E N T I A L JAKARTA 6534

CINCPAC FOR POLAD

EO 11652: GDS

TAGS: MASS,PBOR,ID

SUBJECT: FMS FOR INDONESIA

REF : JAKARTA 6246

1. INFORMATION RECEIVED IN TELECON FROM CHIEF USDLG COL MCCUEN, NOW ON TDY IN WASHINGTON, INDICATES THAT DOD CONSIDERING \$5 MILLION FMS GUARANTEED COMMERCIAL LOAN AT PRIME INTEREST RATE FOR INDONESIA IN FY 74. NO WORD AS YET AS TO AVAILABILITY OF C-130B'S WHICH FIRST ON INDONESIAN PRIORITY LIST (REFTEL).

2. OFFER TO GOI OF FMS GUARANTEED COMMERCIAL LOAN AT PRIME INTEREST RATE, WHICH NOW AT ALL-TIME US HIGH, DOES NOT REPRESENT FIRST STEP IN TRANSITION AWAY FROM FULLY GRANT AID PROGRAM WHICH I HAVE BEEN SEEKING, AND IN WHICH I BELIEVED I HAD WASHINGTON CONCURRENCE. OXMAN TEAM DISCUSSED WITH INDONESIAN MILITARY POSSIBILITIES OF FULL FMS CONCESSIONAL CREDIT PACKAGE AND MIXED FMS CREDIT GUARANTEED COMMERCIAL LOAN PACKAGE WHICH SOMEWHAT LESS CONCESSIONAL. FOR US NOW TO ADVISE GOI THAT BEST WE CAN OFFER IS LEAST
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ATTRACTIVE FMS PACKAGE POSSIBLE WOULD GREATLY DISAPPOINT

THEM AND WOULD BE COUNTER-PRODUCTIVE TO OUR EFFORTS TO PRESERVE MILITARY RELATIONSHIP DURING TRANSITION PERIOD. I HAVE THEREFORE INSTRUCTED DLG NOT TO DISCUSS POSSIBLE FMS GUARANTEED LOAN WITH INDONESIANS UNTIL AFTER I CONSULTED WITH WASHINGTON AGENCIES.

3. ACTION REQUESTED: WOULD APPRECIATE YOUR CONSULTING WITH DOD ON AN URGENT BASIS TO DEVELOP FMS CREDIT OFFER WHICH WE CAN HONESTLY PRESENT AS ONE OF CONCESSIONAL, TRANSITIONAL NATURE RATHER THAN SUGGESTED PACKAGE WHICH VIRTUALLY COMMERCIAL. WE DO NOT EXCLUDE ULTIMATE POSSIBILITY SALES ON COMMERCIAL TERMS BUT THIS IS NOT THE WAY TO BEGIN. ALSO, SHOULD OUR FIRST FMS CREDIT SALE BE A C-130B, FAVORABLE IMPACT ON GOI WOULD BE GREATLY INCREASED.
NEWSOM

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